

April 12, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

MOTION TO SUPPORT SENATE BILL 1520 (ORTIZ) - (ITEM NO. 3, AGENDA OF APRIL 16, 2002)

Item No. 3 on your agenda for Tuesday, April 16, 2002, is a motion by Supervisor Yaroslavsky to support SB 1520 (Ortiz), the "California Soda Tax Act", and send a five-signature letter of support to the Governor and the County's Legislative delegation.

SB 1520 would impose an excise tax on sweetened beverages sold to retailers of \$2 per gallon for syrup and 21 cents per gallon for bottled soft drink (or powder equivalent), which equates to 2 cents on a 12-ounce can of soda. Soft drinks containing more than 50 percent natural fruit or vegetable juice, infant formula, beverages sweetened with artificial sweeteners that do not add calories, products used for weight reduction, water, and any product containing milk or milk products would be exempt from the tax.

The State Board of Equalization estimates that the excise tax would raise \$342 million annually, and an additional \$27 annually in sales and use tax on the resulting price increase. The excise tax proceeds would be placed in the California Child Health and Achievement Fund to be administered and allocated by the California Department of Health Services as follows:

- 25 percent to elementary schools for new nutrition and physical activity programs;

- 20 percent to middle and high schools that comply with State nutritional standards approved last year, to be used for after-school programs and other activities currently funded through the sale of unhealthy foods on campus;
- 15 percent for State and local obesity prevention programs and scientific research on chronic diseases;
- 15 percent for State and local public health programs that promote oral health; and
- 15 percent to the Healthy Families Program for childhood obesity prevention programs and treatment.

Supporters of the bill point to the recent report of the U.S. Surgeon General which called obesity a national epidemic "that may soon cause as much preventable disease and death as cigarette smoking." They claim that the direct and indirect costs attributed to overweight and obesity amounted to \$117 billion in 2000. Finally, they note that the problem is especially acute among California youth, 30 percent of whom are estimated to be overweight. Consequently, obesity is a public health problem that needs to be addressed through comprehensive prevention and treatment programs, especially through school and community based programs.

Opponents of the bill estimate that the roughly 2 percent price increase imposed by the tax would cause a decline in consumption of approximately .2 percent, which would negatively impact sweetened beverage distributors, potentially leading to the loss of jobs and business expansions. In addition, they object to being unfairly singled out when other products and factors contribute to the problem. Finally, they point out that if SB 1520 becomes law, sweetened beverages would be subject to triple taxation because they are already subject to sales tax and the California Redemption Value.

Declared supporters of the bill include numerous California health and nutrition related organizations, as well as the American Diabetes Association and the Center for Science in the Public Interest. Opponents include, in addition to beverage industry associations, associations representing manufacturers, restaurants, grocers and retailers.

The Department of Health recommends support of SB 1520 because childhood obesity increases the risk of diabetes, heart disease, stroke, and other chronic diseases. Between 1980 and 1994, there was as 100 percent increase in rates of childhood obesity among US children and the rate of type 2 diabetes tripled for American children in the past five years.

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According to Los Angeles Health Survey data, nearly one-half of Los Angeles County adults aged 20-74 are overweight. Given that parental obesity more than doubles the risk of obesity among children, it is critical to address the issue now.

DHS is participating on and staffing the Board-appointed Task Force on Children and Youth Physical Fitness, which will make recommendations to the Board to combat this serious public health issue.

There is no existing Board policy on this issue. Therefore, a position on the bill is a matter for Board determination.

On April 10, 2002, AB 1520 was approved by the Senate Committee on Health and Human Services on a party line vote. It is awaiting hearing in the Senate Revenue and Taxation Committee.

DEJ:GK
JR:md

c: Executive Officer, Board of Supervisors
County Counsel